



GOVERNMENT OF
GRENADA

PUBLIC DEBT QUARTERLY BULLETIN

QUARTER 1
2018



Acronyms & Abbreviations

ATM- Average Time to Maturity

ATR- Average Time to Re-fixing

CDB- Caribbean Development Bank

CDF- Caricom Development Fund

EUR- Euro

GBP- Great Britain Pound

GDP- Gross Domestic Product

GOG-Government of Grenada

IDA – International Development Association

IFAD- International Fund for Agricultural Development

IMF- International Monetary Fund

KWD- Kuwaiti Dinar

MTDS- Medium-Term Debt Strategy

OPEC- Organisation of Petroleum Exporting Countries

RGSM- Regional Government Securities Market

USD- United States Dollar

XCD- Eastern Caribbean Dollar

XDR- Special Drawing Rights

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1.0 Total Public Debt

Total public debt as at the end of the first quarter of 2018 stood at EC\$ 2,433.42 million or 75.9% of gross domestic product (GDP¹). Total public debt comprises Central Government's debt, Public Corporations' (government guaranteed) debt and other debt obligations², which may be contingent liabilities for the Government. When compared to the first quarter in 2017 and the preceding quarter, there were reductions in total public debt of EC\$ 196.21 million (7.5%) and EC\$8.02 million (0.3%) respectively (Chart 1). Domestic debt levels during the period March 2017 to March 2018 were relatively constant. External debt, on the other hand, was constant during the first and third quarters of 2017, but in the final quarter of 2017 there was a downward trend as the Government of Grenada (GOG) underwent its final phase of debt restructuring resulting in external debt reduction. This pattern continued into the first quarter of 2018.

Total public debt comprised of 25.4% domestic debt and 74.6% external debt. Government guaranteed debt as a proportion of total debt was 2.9% of which domestic and external debt were 1.5% and 1.4% respectively (Chart 2). Central Government debt totaled EC\$ 1,990.02 million (62.1% of GDP), of which 29.3% was domestic debt and 70.7% was external debt.

2.0 External Debt

2.1 External Debt by Creditor Type

External debt held by the Central Government as at March 2018 amounted to EC\$ 1,406.92 million (43.9% of GDP); with Multilaterals accounting for the largest portion. This was also the case in the corresponding period in 2017 and the preceding quarter December 2017 (Chart 3). In the first quarter of 2018, the composition of external Central Government debt was as follows: multilateral loans 56.4% (EC\$ 793.72m); International Sovereign Bond 26.3% (EC\$ 370.02m); bilateral Non-Paris Club loans 15.2% (EC\$ 213.77m), bilateral loans from Paris Club member countries 1.5% (EC\$ 21.7m); other³ creditors 0.5% (EC\$ 6.80m) and commercial debt 0.1 % (EC\$ 0.91m) (Chart 4).

Chart 1: Movement in Public Debt

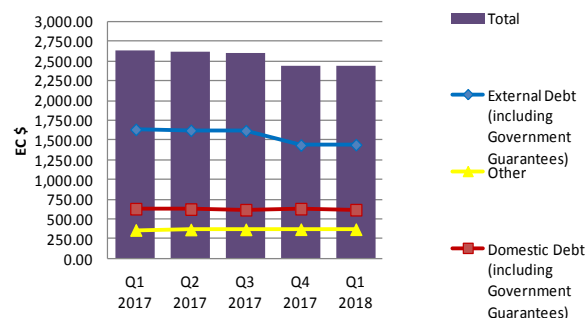


Chart 2: Composition of Public Debt

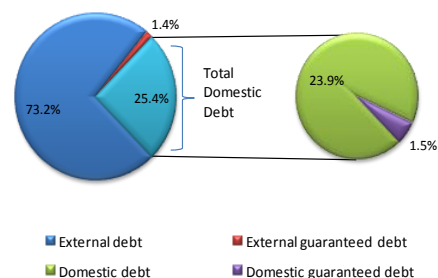


Chart 3: External Debt by Creditor (Q1 2017-Q1 2018)

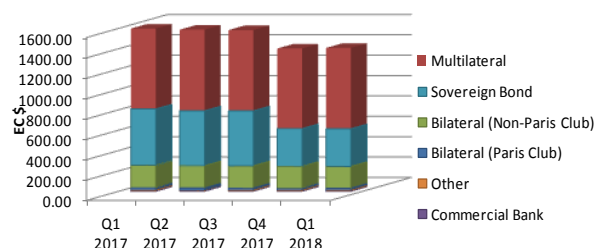
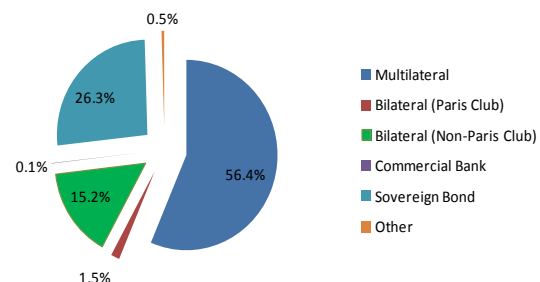


Chart 4: External debt by Creditor Q1 2018



¹ GDP: 2018 projected Gross Domestic Product

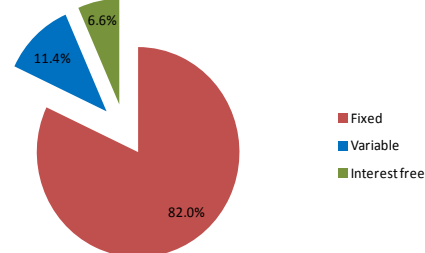
² Other debt obligations includes the long-term debt of PetroCaribe

³ Other: Caricom Development Fund (CDF)

2.2 External Debt by Interest Type

Loans contracted at a fixed interest rate dominated the external portfolio in the first quarter of 2018 accounting for 82.0%. Loans contracted at variable interest rates and those contracted interest free accounted for 11.4% and 6.6% of the portfolio respectively (Chart 5).

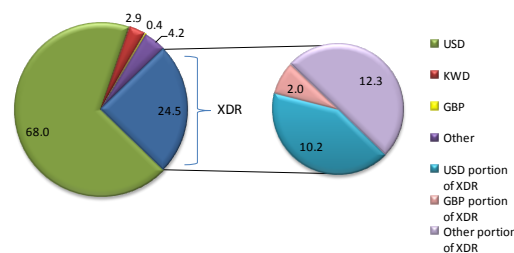
Chart 5: External Debt by Interest type



2.3 Currency Composition

The currency composition of external debt is well aligned to GOG's Medium-term Debt Strategy (MTDS) target for loans in the external portfolio, which is $\geq 75\%$ for US dollar (USD) loans and $\leq 25\%$ for loans denominated in other currencies. USD loans accounted for 68.0% (US\$ 354.34m) of the external debt stock in the first quarter and the Special Drawing Rights (XDR) accounted for 24.5%, bringing the USD-denominated debt to 78.2% of the portfolio as 41.73% of the XDR consists of the USD. Loans denominated in the Kuwaiti Dinars (KWD) accounted for 2.9%, those denominated in the Great Britain Pound (GBP) accounted for 0.4% of the portfolio and other currencies including the Eastern Caribbean dollar (XCD) and the Euro (EUR) made up 4.2% of the external portfolio (Chart 6).

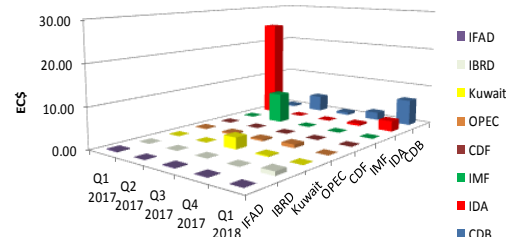
Chart 6: Currency Composition of External Debt



3.0 Disbursement by Creditor

Total disbursements in the first quarter of 2018 amounted to EC\$ 10.17 million, of which EC\$ 6.5 million was from multilateral creditors. In the preceding quarter disbursements amounted to EC\$3.71 million and in the corresponding quarter of 2017 they amounted to EC\$ 25.71 million. There were two (2) new instruments contracted in the first quarter of 2018 from multilateral creditors totaling EC\$ 24.27 million for which GOG hasn't yet received disbursements.

Chart 7: Disbursement by Creditor

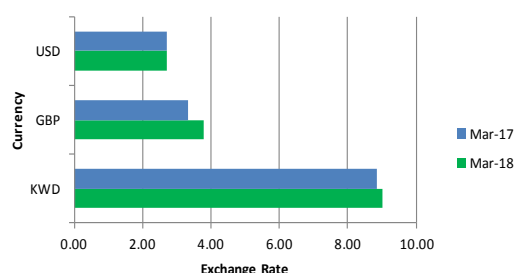


4.0 Risk Assessment of the External Portfolio

4.1 Foreign Currency Risk

When compared to March 2017, the XCD appreciated against the GBP by 13.2% and the KWD by 1.8%. GBP only accounted for 0.4% of the external debt stock at the end of the final quarter, which rendered insignificant, the impact of the rate of appreciation of the XCD against the GBP.

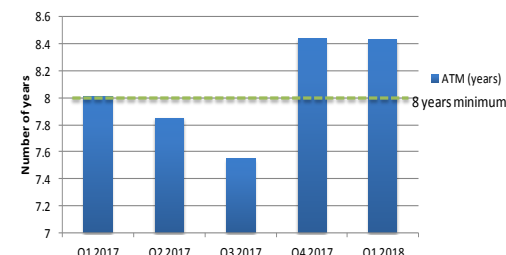
Chart 8: Movement in Exchange Rate



4.2 Average Time to Maturity (ATM⁴)

As at March 2018 the ATM of the external portfolio was 8.43 years which is in line with GOG's target ATM of 8 years and above. When compared to the corresponding quarter in 2017 the ATM increased by 0.42 years because of new borrowing with longer terms to maturity. When compared to the previous quarter, December 2017, the ATM decreased by 0.01 years.

Chart 9: Average Time to Maturity ATM (years) of External Portfolio

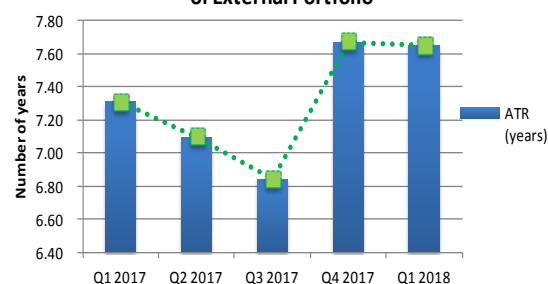


⁴ ATM shows how long it takes on average to rollover or refinance the debt portfolio.

4.3 Average Time to Re-fixing (ATR⁵)

The ATR of the external portfolio as at March 31st, 2018 was 7.65 years. There was a decrease in ATR of 0.02 years when compared to the previous quarter and an increase of 0.34 years when compared to the corresponding quarter in 2017 (Chart 10). This increase indicates that a smaller number of instruments will have their interest rates reset in the near future. It comes as a result of new borrowing with longer terms to maturity and the decision made by GOG to issue fewer short-term instruments in 2018.

Chart 10: Average Time to Re-fixing ATR (years) of External Portfolio

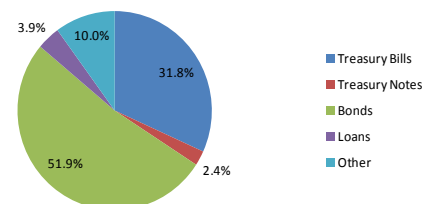


5.0 Domestic Debt

5.1 Domestic Debt by Instrument

At the end of the first quarter of 2018, domestic debt was EC\$ 583.10 million (18.2% of GDP). Bonds dominated the domestic portfolio, followed by Treasury bills (Chart 11). This was also the case in the corresponding quarter in 2017 and the previous quarter.

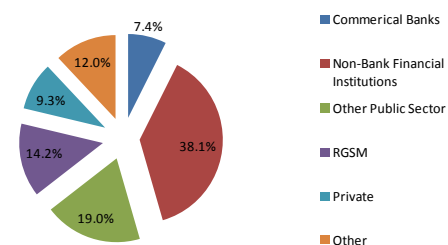
Chart 11: Domestic Debt by Instrument



5.2 Domestic Debt by Holder

Non-bank Financial Institutions remained the leading holders of domestic debt. They were followed by public sector institutions, investors in the Regional Government Securities Market (RGSM), other creditors, private individuals and companies, and commercial banks (Chart 12).

Chart 12: Domestic Debt by Holder



6.0 Regional Government Securities Market (RGSM) Activities

Table 1 shows details on new securities issued in the first quarter of 2018 and the bid-to-cover ratio⁶ of each security. In keeping in line with GOG's MTDS which advocates the issuance of instruments with longer terms to maturity, GOG issued a 2-year Treasury note on the RGSM for the first time, in quarter 1 of 2018, in the amount of EC\$10.00 million. This replaced a 91-day Treasury bill valued at EC\$ 15.00 million. There were no Series A⁷ Treasury bills issued during the period and only one (1) 91-day Series B⁸ Treasury bill issued in March of 2018 in the amount of EC\$ 15.00 million. Both instruments issued on the RGSM in the first quarter of 2018 were oversubscribed.

Table 1: RGSM Auction Results (Q1 2018)

Instrument	Total Units offering	Total Competitive Bids received	Face value of Auction	Total Payment Due	Total Discount	Discount Rate (%)	Interest Rate (%)	Bid to Cover Ratio
91-day T-bill (series B)	15.00	28.94	15.00	14.93	0.07	2.00	0.00	1.93
2- year note	10.00	10.75	10.00	10.00	0.00	0.00	5.50	1.08
TOTAL	25.00	39.69	25.00	24.93	0.07			

⁵ ATR indicates the average time required to reset the interest rate in the debt profile.

⁶ Bid-to-cover ratio is the ratio of the number of bids received in a Treasury security auction, to the number of bids accepted.

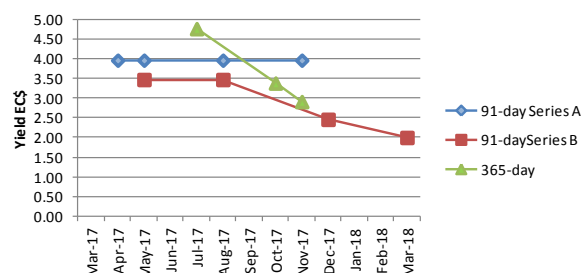
⁷ Series A Treasury Bills are valued at \$10.00million

⁸ Series B Treasury Bills are valued at \$15.00million

6.1 Treasury Bills Auction Yields

Interest rates on GOG's Treasury bills from March 2017 to March 2018 are shown in Chart 13. Series A rates were steady over the period. Series B rates and rates on 365-day Treasury bills on the other hand declined during the period due to the competitiveness of the bids made by investors in these securities.

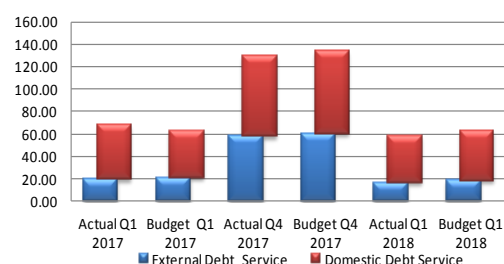
Chart 13: Interest Rate fluctuations on Treasury Bills (Q1 2017-Q1 2018)



7.0 Debt Service

In the first quarter of 2018 total debt service payments amounted to EC\$ 57.55 million against a budgeted EC\$ 62.93 million. Principal repayments amounted to EC\$ 50.30 million, of which EC\$ 11.92 million was external amortisation and EC\$ 38.38 million domestic. Interest payments totaled EC\$ 7.25 million, of which external interest payments accounted for EC\$ 4.49 million and domestic payments EC\$ 2.76 million. Chart 14 compares debt service budgeted and actual payments in quarter 1 of 2018 with the corresponding period in 2017 and the preceding period. Differences in budgeted and actual figures are due to exchange rate fluctuations and late disbursements resulting in changes in payment amounts.

Chart 14: Debt Service Q1 2017, Q4 2017 & Q1 2018



8.0 Government Guarantees

Total outstanding Government guarantees in Quarter 1 of 2018 was EC\$ 71.26 million (2.2% of GDP). When compared to the first quarter of 2017 and the previous quarter, the stock of guaranteed debt decreased by 9.5% and 1.3% respectively. These changes can be seen in Table 2. There have been no new issues of Government guaranteed debt in the first quarter of 2018.

Table 2: Guaranteed Debt by Creditor Type as at Q1 2018

Creditor	Mar-17	Dec-17	Mar-18	% Qtrly change	% YTD change
<i>In millions of EC\$</i>					
Multilateral	2.24	1.36	1.07	-21.42	-52.23
Commercial	36.19	34.70	34.20	-1.44	-5.49
Social Security	40.30	36.10	35.99	-0.30	-10.70
Statutory body	0.02	0.00	0.00	0.00	-100.00
Total	78.75	72.16	71.26	-1.25	-9.51

Appendix

Appendix 1: Size of Public Debt as at end March 2018, in millions

Debt Category	Q1 2017	Q4 2017	Q1 2018
<i>In millions of EC\$</i>			
External Debt (including Government Guarantees)	1,635.57	1,437.30	1,442.20
Domestic Debt (including Government Guarantees)	631.82	631.99	619.09
Other	362.84	372.14	372.14
Total	2,630.23	2,441.44	2,433.42

Appendix 2: External Debt by Creditor

Creditor Category	Q1 2017	Q4 2017	Q1 2018
<i>In millions of EC\$</i>			
Multilateral	789.78	786.60	793.71
Bilateral (Paris Club)	24.67	22.07	21.70
Bilateral (Non-Paris Club)	220.03	214.88	213.77
Commercial Bank	0.91	0.91	0.91
Sovereign Bond	553.82	370.03	370.02
Other	7.56	6.80	6.80
Total	1596.77	1401.29	1406.92

Appendix 3: External Debt by currency composition

Currency Composition	Q1 2017	Q4 2017	Q1 2018	% share of External Debt Q1 2017	MTDS Target
<i>In millions of EC\$</i>					
USD	1121.56	958.37	956.72	68.00	≥75%
XDR	327.82	337.35	344.79	24.51	
KWD	42.38	42.23	41.13	2.92	≤25%
GBP	5.89	5.04	5.25	0.37	
Other	99.12	58.30	59.03	4.20	
Total	1,596.77	1,401.29	1,406.92		

Appendix 4: Disbursement by Creditor

Creditor	Q1 2017	Q4 2017	Q1 2018
<i>In millions of EC\$</i>			
CDB	0.37	1.94	6.54
IDA	24.95	0.54	2.68
IBRD	0.00	0.01	0.95
IFAD	0.23	0.11	0.00
IMF	0.00	-	0.00
OPEC	0.16	0.85	0.00
Kuwait	0.00	0.25	0.00
CDF	0.00	0.00	0.00
Total	25.71	3.71	10.17

Appendix 5: Domestic Debt by Instrument

Domestic Debt by Instrument	Q1 2017	Q4 2017	Q1 2018
<i>In millions of EC\$</i>			
Treasury Bills	208.27	206.79	185.25
Treasury Notes	4.00	4.00	14.00
Bonds	310.00	302.89	302.89
Loans	27.48	22.51	22.51
Other	41.52	59.65	58.44
Total	591.27	595.85	583.10

Appendix 6: Domestic Debt by Holder

Domestic Debt by Holder	Q1 2017	Q4 2017	Q1 2018
<i>In millions of EC\$</i>			
Commerical Banks	42.78	43.16	43.16
Non-Bank Financial Institutions	231.22	222.33	222.32
Other Public Sector	98	110.60	110.60
RGSM	93.41	90.34	82.91
Private	72.23	58.23	54.12
Other	53.63	71.19	69.98
Total	591.27	595.85	583.10

Appendix 7: Debt Service

	Actual Q1 2017	Budget Q1 2017	Actual Q4 2017	Budget Q4 2017	Actual Q1 2018	Budget Q1 2018
<i>In millions of EC\$</i>						
Total Debt Service	68.22	61.97	130.01	133.36	57.55	62.93
External Debt Service	19.17	20.62	58.46	59.71	16.42	18.20
<i>Principal Repayments</i>	13.86	15.95	33.79	34.18	11.92	13.20
<i>Interest Payments</i>	5.31	4.67	24.67	25.53	4.49	5.01
Domestic Debt Service	49.05	41.35	71.55	73.65	41.14	44.72
<i>Principal Repayments</i>	45.84	37.98	63.63	65.07	38.38	41.30
<i>Interest Payments</i>	3.22	3.37	7.92	8.58	2.76	3.42

Appendix 8: Risk Indicators

Risk Indicators	Q1 2017	Q4 2017	Q1 2018	MTDS Target
ATM (years)	8.01	8.44	8.43	>= 8 yrs
% Maturing in 12 months	20.20	14.3	13.4	-
ATR (years)	7.31	7.67	7.65	-
% Refixing in 12 months	32.17	26.57	25.77	-

APPENDICES 2 TO 7 REFLECT CENTRAL GOVERNMENT DEBT FIGURES ONLY

Debt Statistics Summary (In millions \$)

Particulars	Mar-17	Dec-17	Mar-18	Qtrly change (%)	YTD change (%)
Total Public Debt (XCD)					
External Debt (including Government Guarantees)	1,634.97	1,437.30	1,442.20	0.34	-11.79
Domestic Debt (including Government Guarantees)	631.82	631.99	619.09	-2.04	-2.02
Other Public Sector Debt	362.84	372.14	372.14	0.00	2.56
Total Public Debt to GDP (%)					
External Debt to GDP	68.20	59.88	56.59	-5.49	-17.02
Domestic Debt to GDP	21.57	20.92	19.31	-7.67	-10.47
Central Government Debt (XCD)					
External Debt	1,596.77	1,401.29	1,406.92	0.40	-11.89
Domestic Debt	591.27	595.85	583.10	-2.14	-1.38
Central Government Debt to GDP (%)					
External Debt	54.51	46.38	43.89	-5.37	-19.49
Domestic Debt	20.18	19.72	18.19	-7.76	-9.89
Government Guarantees					
External	38.20	36.02	35.27	-2.06	-7.66
Domestic	40.55	36.15	35.99	-0.43	-11.25
External debt by Creditor					
Multilateral	797.34	793.41	800.52	0.90	0.40
Bilateral	244.70	236.95	235.47	-0.62	-3.77
Other	554.73	370.94	370.93	0.00	-33.13
External Debt by Instrument					
Loans	1,042.95	1,031.26	1,036.90	0.55	-0.58
Bonds	553.82	370.03	370.02	0.00	-33.19
Domestic Debt by instrument					
T-bills	208.27	206.79	185.25	-10.41	-11.05
T-Notes	4.00	4.00	14.00	250.00	250.00
Bonds	310.00	302.89	302.89	0.00	-2.29
Loans	27.48	22.51	22.51	0.00	-18.08
Other	41.52	59.65	58.44	-2.03	40.76
Foreign Currency Risk (%)					
% of debt in USD	70.24	68.39	68.00	-0.57	-3.19
% of debt in XDR	20.53	24.07	24.51	1.80	19.37
% of debt in Kuwaiti Dinars	2.65	3.01	2.92	-3.00	10.31
% of debt in GBP	0.37	0.36	0.37	3.77	0.87
% of debt in other currency	6.21	4.16	4.20	0.85	-32.44
% of foreign debt	72.98	70.16	70.70	0.76	-3.12
Total Debt Service					
External	19.17	58.46	16.42	-71.92	-14.37
Domestic	49.06	71.55	41.14	-42.51	-16.14
Principal	59.69	97.42	50.30	-48.37	-15.74
Interest	8.53	32.59	7.25	-77.74	-15.00
Disbursements	25.71	3.71	10.17	174.45	-60.43
Fiscal indicators					
Total Debt Service to Revenue	34.48	62.93	28.01	-55.50	-18.78
Total Debt Service to GDP	2.33	4.30	1.80	-58.28	-22.89
Interest to Revenue	4.30	15.77	3.53	-77.63	-17.96
Interest to Expenditure	5.44	17.68	4.34	-75.44	-20.13
Total Public Sector Debt (% of GDP)	89.77	80.80	75.91		

N.B. FIGURES ARE SUBJECT TO CHANGE